

**CITY OF ELKADER**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2012**

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CITY OF ELKADER  
OFFICIALS  
(Before January, 2012)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Garms	Mayor	Jan. 2012
Ken Seney	Mayor Pro tem	Jan. 2012
Rob Frieden	Council Member	Jan. 2012
Daryl Koehn	Council Member	Jan. 2014
Roger Buchholz	Council Member	Jan. 2014
Curtis Ruhser	Council Member	Jan. 2014
Jennifer Cowsert	City Administrator/Clerk	Indefinite
Marla Reimer	Assistant Administrator/ Deputy Clerk	Indefinite
Steve McCorkindale	Attorney	Indefinite
Jim Garrett	Assistant Attorney	Indefinite

(After December, 2011)

Robert Garms	Mayor	Jan. 2016
Roger Buchholz	Mayor Pro tem	Jan. 2014
Daryl Koehn	Council Member	Jan. 2014
Curtis Ruhser	Council Member	Jan. 2014
Rob Frieden	Council Member	Jan. 2016
Peggy Lane	Council Member	Jan. 2016
Jennifer Cowsert	City Administrator/Clerk	Indefinite
Marla Reimer	Assistant Administrator/ Deputy Clerk	Indefinite
Steve McCorkindale	Attorney	Indefinite
Jim Garrett	Assistant Attorney	Indefinite

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

**STEVEN S. CLAUSEN, CPA**

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Elkader, Iowa 52043

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Elkader, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Elkader's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Elkader as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

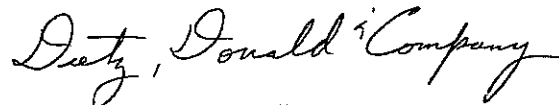
In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2013 on our consideration of the City of Elkader's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elkader's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report the financial statements for the three years ended June 30, 2011 (which are not presented herein). We expressed unqualified opinions on the financial statements for the years ended June 30, 2011 and 2010, which were prepared in conformity with another basis of accounting. The financial statements for the year ended June 30, 2009, which were prepared in conformity with another comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves to the distribution by activity of the cash basis net assets and by fund of the cash balance at July 1, 2009. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elkader's basic financial statements. The Management's Discussion and Analysis and budgetary comparison information on pages 8 through 15 and 34 through 35 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Elkader, Iowa

February 8, 2013



Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

# City of Elkader

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Elkader provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

### 2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 17.4%, or approximately \$ 665,000, from fiscal 2011 to fiscal 2012. Property tax increased approximately \$ 64,000 and bond, note and loan proceeds decreased approximately \$ 936,000.
- Disbursements of the City's governmental activities decreased 20.0% or approximately \$ 804,000 in fiscal 2012 from fiscal 2011. Debt service and capital projects decreased approximately \$ 864,000 and \$ 472,000, respectively. Public safety and community economic development increased \$ 285,000 and \$ 214,000, respectively.
- The City's total cash basis net assets increased 17.9%, or approximately \$ 79,000 from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$ 12,000 and the assets of the business type activities increased approximately \$ 67,000.

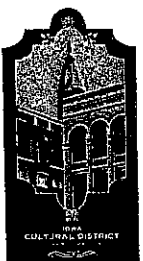
### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.





Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *The City's Reporting Entity Presentation*

This annual report includes all activities for which Elkader's City Council is fiscally responsible. These activities defined as the City's reporting entity are operated within a separate legal entity that is the primary government and another separate legal entity that is included as a component unit.

The primary government consists of one legal entity, the City of Elkader.

The component unit presentation consists of one legal entity, the Elkader Public Library Foundation.

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases and decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into three kinds of activities:

1. Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
2. Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.
3. Discretely Presented Component Unit consists of the Elkader Public Library Foundation, a legally separate organization that has the potential to provide specific benefits or impose specific financial burdens on the City.

### *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include [a] the General Fund, [b] the Special Revenue Funds such as Urban Renewal Tax Increment and Local Option Sales Tax, [c] the Debt Service Fund, [d] the Capital Project Funds and [e] the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to account for business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing approximately \$ 12,000 to approximately \$ 253,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities  
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Receipts:		
Program receipts:		
Charges for service	\$ 362	352
Operating grants and contributions, and restricted interest	154	519
Capital grants and contributions, and restricted interest	1,057	588
General Receipts:		
Property tax	849	732
Local option taxes	108	111
Franchise tax	32	35
Unrestricted interest on investments	5	3
Bond, note and loan proceeds - net	476	1,413
Other general receipts	124	80
Total receipts	<u>3,167</u>	<u>3,833</u>
Disbursements:		
Public safety	745	460
Public works	419	415
Health and social services	0	1
Culture and recreation	336	343
Community and economic development	760	546
General government	193	156
Debt service	291	1,155
Capital projects	467	939
Total disbursements	<u>3,211</u>	<u>4,015</u>
Change in cash basis net assets before transfers	(44)	(182)
Transfers, net	<u>56</u>	<u>40</u>
Change in cash basis net assets	12	(142)
Cash basis net assets beginning of year	<u>241</u>	<u>383</u>
Cash basis net assets end of year	<u>\$ 253</u>	<u>241</u>

The City's total receipts for governmental activities decreased 17.4% or approximately \$ 666,000. The total cost of programs and services decreased approximately \$ 804,000, or 20.0%. Debt service spending decreased approximately \$ 864,000 due primarily to refinancing of debt in 2011. Capital projects disbursements decreased approximately \$ 472,000 as the majority of the disbursements for the Emergency Services Building were in 2011. Receipts in 2012 decreased approximately \$ 666,000, due primarily to a decrease in net bond, note and loan proceeds of approximately \$ 937,000.

City property tax receipts increased approximately \$ 117,000 in 2012. Property taxes are budgeted to increase approximately \$ 55,000 in 2013.

The cost of all governmental activities this year was approximately \$ 3.211 million compared to \$ 4.015 million last year. However, as shown in the Statement of Activities and Nets Assets on pages 17-18, the amount taxpayers ultimately financed for these activities was only \$ 1.638 million because some of the cost was paid by those directly benefited from the programs (\$ 362,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$ 1.211 million). Overall, in 2012, the City's governmental activities program receipts, including intergovernmental aid and fees for services, increased from approximately \$ 1.459 million to approximately \$ 1.573 million, principally due to receiving more grant proceeds. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$ 988,000 in tax (some of which could only be used for certain programs) and with other receipts, such as bond, note and loan proceeds.

Changes in Cash Basis Net Assets of Business Type Activities  
(Expressed in Thousands)

	<u>Year Ended June 30</u>	
	<u>2012</u>	<u>2011</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 397	391
Sewer	465	462
General receipts		
Capital grants	549	429
Unrestricted interest on investments	1	5
Note proceeds	457	1,011
Total receipts	<u>1,869</u>	<u>2,298</u>

Disbursements:		
Water	357	397
Sewer	<u>1,389</u>	<u>2,078</u>
Total disbursements	<u>1,746</u>	<u>2,475</u>
Change in cash basis net assets before transfers	123	(177)
Transfers, net	<u>(56)</u>	<u>(40)</u>
Change in cash basis net assets	67	(217)
Cash basis net assets beginning of year	<u>201</u>	<u>418</u>
Cash basis net assets end of year	<u>\$ 268</u>	<u>201</u>

Total business type activities receipts for the fiscal year were approximately \$ 1.869 million compared to \$ 2.298 million last year. The significant decrease was due primarily to a decrease in state revolving loan proceeds of \$ 554,000 from last year. Total disbursements decreased from approximately \$ 2.475 million to approximately \$ 1.746 million because construction work on the wastewater treatment plant was completed.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Elkader completed the year, its governmental funds reported a combined fund balance of \$ 253,112, an increase of \$ 12,173 from last year's total of \$ 240,939. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$ 34,157 from the prior year to \$ 108,390. This decrease was due primarily to increases in general government disbursements.
- The Special Revenue, Employee Benefits Fund was established to account for the employee benefits levy. Property taxes totaled \$ 160,474 in 2012, while \$ 178,678 was disbursed for FICA, IPERS and other employee benefits.
- The Special Revenue, Urban Renewal Tax Increment Fund was established to account for projects within the City's urban renewal districts. At the end of the fiscal year, the cash balance was \$ 19,712, an increase of \$ 38,226 from the previous year.
- The Special Revenue, Local Option Sales Tax Fund was established to account for the use of local option sales tax. At the end of the fiscal year, the cash balance was \$ 108,473, a decrease of \$ 70,738. During the fiscal year ended June 30, 2012, \$ 142,796 was spent on community and economic development.
- The Special Revenue, Hazard Mitigation Grants Fund was established to account for the proceeds from grants and loans, which are to be used for the buy-out program established after the 2008 Turkey River flood. During the fiscal year ended June 30, 2012, \$ 329,352 was spent, leaving a balance of \$ 5,053 at June 30, 2012.

- The Debt Service Fund cash balance increased \$ 48,864 to a balance of \$ 56,780. Debt service disbursements were \$ 290,910.
- The Capital Projects Fund accounted for the EMS building project. During the year \$ 467,004 was spent on the project leaving a deficit balance of \$ 124,889 at June 30, 2012.
- The Permanent Cemetery Perpetual Care Fund had a cash balance of \$ 48,362 at June 30, 2012, a decrease of \$ 3,737. A total of \$ 15,483 was spent on cemetery improvement projects during the year.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased \$ 12,821 to \$ 2,935.
- The Sewer Fund cash balance increased \$ 79,963 to \$ 265,316 due primarily to note proceeds and grants totaling \$ 1,006,396 exceeding the cost of capital projects by \$ 137,745.

#### **BUDGETARY HIGHLIGHTS**

The City's receipts were \$ 97,745 more than budgeted, primarily due to grant proceeds being \$ 99,981 more than budgeted.

Total disbursements were \$ 1,091,959 less than budgeted, due primarily capital projects running behind schedule. However, the City exceeded the amounts budgeted in the public works, culture and recreation, general government, debt service and business type activities functions.

#### **DEBT ADMINISTRATION**

At June 30, 2012, the City had \$ 7,895,797 of long-term debt outstanding, compared to \$ 7,457,808 last year, as shown in the following.

<u>Outstanding Debt at Year-End</u> <u>(Expressed in Thousands)</u>		
	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
General obligation notes	\$ 47	74
General obligation bonds	2,175	1,710
Revenue notes	5,454	5,257
Loan payable	47	56
Anticipation loans	173	361
Total	<u>\$ 7,896</u>	<u>7,458</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 2,441,797 is less than its constitutional debt limit of nearly \$ 3.00 million. However, the City has outstanding development agreements of \$ 117,968 which brings its constitutional debt to \$ 2,559,765, still less than the \$ 3.00 million debt limit.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Elkader's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees that will be charged for various City activities. The City incurred major flood damage in June, 2008. Although most infrastructure damage was paid by federal and state grants, the buyout of approximately 25 homes will negatively impact the City's tax base and water and sewer billings. Over the last 40 years, population has decreased about 20%. The City has completed construction on a mechanical wastewater treatment plant and an emergency services building. Although the City is reviewing all possible avenues of financing, certainly there will continue to be upward pressure on water and sewer rates.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are \$ 3.315 million, a decrease of 45.5% from the amended 2012 budget. Property taxes are budgeted to decrease \$ 27,015. The tax levy rate decreased 4.1%. Bond and note proceeds are budgeted to decrease \$ 2.081 million. Disbursements are budgeted to decrease approximately \$ 2.749 million.

If these estimates are realized, the City's budgeted cash balance is expected to increase \$ 14,409 by the close of 2013.

## **CONTACTING THE CITY'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Jennifer Cowser, City Administrator and City Clerk, 207 North Main Street, Elkader, Iowa 52043-0427.

## BASIC FINANCIAL STATEMENTS



Exhibit A

CITY OF ELKADER  
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS  
As of and for the Year Ended June 30, 2012

Functions/Programs:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government Business Type Activities	Total	Elkader Public Library Foundation
Governmental activities:							
Public safety	\$ 745,279	31,020	20,583	380,129	(313,537)	(313,537)	-
Public works	419,510	179,605	120,745	-	(119,160)	(119,160)	-
Culture and recreation	335,751	144,419	12,176	35,764	(143,392)	(143,392)	-
Community and economic development	739,728	-	-	294,343	(465,385)	(465,385)	-
General government	192,853	6,943	-	-	(185,910)	(185,910)	-
Debt service	290,910	-	418	-	(290,492)	(290,492)	-
Capital projects	467,004	-	-	346,940	(120,064)	(120,064)	-
Total governmental activities	3,211,035	361,997	133,922	1,057,176	(1,637,940)	(1,637,940)	-
Business type activities:							
Water	356,559	396,616	-	-	40,057	40,057	-
Sewer	1,399,531	464,938	-	549,000	(375,533)	(375,533)	-
Total business type activities	1,746,090	861,614	-	549,000	(335,476)	(335,476)	-
Total	\$ 4,957,125	1,223,611	133,922	1,606,176	(1,637,940)	(1,973,416)	-
Discretely Presented Component Unit:							
Elkader Public Library Foundation	\$ 241	-	4,340	-	-	-	4,099
General Receipts and Transfers:							
Property and other city taxes levied for:							
General purposes					502,013	502,013	-
Debt service					160,474	160,474	-
Tax increment financing					186,218	186,218	-
Local option taxes					107,559	107,559	-
Franchise fee					31,850	31,850	-
Unrestricted interest on investments					5,543	1,506	-
Bond, loan and note proceeds, net					476,535	457,285	-
Miscellaneous					118,298	118,298	-
Sale of assets					5,450	-	-
Transfers					56,173	(56,173)	-
Total general receipts and transfers					1,650,113	402,618	2,052,731
Change in cash basis net assets					12,173	67,142	79,315
Cash basis net assets beginning of year					240,939	201,109	67,607
Cash basis net assets end of year					\$ 253,112	268,251	521,363

(continued)

CITY OF ELKADER  
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS  
As of and for the Year Ended June 30, 2012

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business Type Activities	Total	Elkader Library Foundation
Cash Basis Net Assets:				
Restricted:				
Nonexpendable:				
Cemetery perpetual care	\$ 48,362	-	48,362	-
Expendable:				
Urban renewal purposes	19,712	-	19,712	-
Debt service	56,780	-	56,780	-
Streets	2,319	-	2,319	-
Library	5,057	-	5,057	71,706
Other purposes	137,381	-	137,381	-
Unrestricted	(16,499)	268,251	251,752	-
Total cash basis net assets	\$ 253,112	268,251	521,363	71,706

See notes to financial statements.

CITY OF ELKADER  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2012

Exhibit B

	Special Revenue						Permanent		Total
	General	Employee Benefits	Urban Renewal Tax Increment	Local Option Sales Tax	Hazard Mitigation Grants	Debt Service	Capital Projects	Commemorative Care	
Receipts:									
Property tax	\$ 341,539	160,474	-	-	-	121,879	-	-	623,892
Tax increment financing	-	-	186,218	-	-	-	-	-	186,218
Other city tax	31,850	-	-	107,169	-	-	-	-	139,019
Licenses and permits	4,915	-	-	-	-	-	-	-	4,915
Use of money and property	18,961	-	-	-	-	418	-	531	19,916
Intergovernmental	155,639	-	294,343	-	285,354	-	338,195	6,195	1,200,531
Charges for service	285,636	-	-	-	-	-	-	-	285,636
Miscellaneous	75,791	10,483	-	15,520	90,278	-	23,649	5,020	224,503
Total receipts	914,391	170,957	480,561	122,689	375,632	122,297	361,844	11,746	2,685,050
Disbursements:									
Operating:									
Public safety	383,267	32,660	-	-	329,352	-	-	-	745,279
Public works	195,240	76,168	-	9,337	-	-	-	-	419,510
Culture and recreation	286,877	28,668	-	-	-	-	-	15,483	335,751
Community and economic development	-	-	616,932	142,796	-	-	-	-	759,728
General government	151,381	41,472	-	-	-	290,910	-	-	192,853
Debt service	-	-	-	-	-	-	467,004	-	290,910
Capital projects	-	-	-	-	-	-	-	-	467,004
Total disbursements	1,016,765	178,968	616,932	152,133	329,352	290,910	467,004	15,483	1,433,488
Excess (deficiency) of receipts over (under) disbursements	(102,374)	(8,011)	(136,371)	(29,444)	46,280	(168,613)	(105,160)	(3,737)	(575,985)
Other financing sources (uses):									
Bond and note proceeds	93,316	-	356,427	-	-	35,647	179,125	-	664,515
Anticipation loan proceeds	91,221	-	350,000	-	179,568	-	117,713	-	738,502
Anticipation loans released	(91,221)	-	(350,000)	-	(196,482)	-	(288,779)	-	(926,482)
Sale of capital assets	5,430	-	-	-	-	-	-	-	5,430
Operating transfers in	3,430	15,756	-	-	-	181,830	82,914	1,946	313,326
Operating transfers out	(33,979)	-	(181,830)	(41,344)	-	-	-	-	(257,153)
Total other financing sources (uses)	68,217	15,756	174,597	(41,344)	(16,914)	217,477	90,973	1,946	538,158
Net change in cash balances	(34,157)	7,745	38,226	(70,788)	29,366	48,864	(14,187)	(1,791)	12,173
Cash balances beginning of year	142,547	15,717	(18,514)	179,261	(24,310)	7,916	(110,702)	50,153	240,939
Cash balances end of year	\$ 108,390	23,462	19,712	108,473	5,056	56,780	(124,889)	48,362	253,112

(continued)

Exhibit B  
(continued)

CITY OF ELKADER  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2012

	Special Revenue					Permanent		Normfor	Total
	General	Employee Benefits	Urban Renewal Tax Increment	Local Option Sales Tax	Hazard Mitigation Grants	Debt Service	Capital Projects		
Cash Basis Fund Balances:									
Nonspendable-Cemetery									
Perpetual care									
Restricted for:									
Urban renewal purposes			19,712						19,712
Debt service						56,780			56,780
Streets									2,319
Library									5,057
Other purposes		23,462		108,473	5,056				137,381
Committed for:									
Opera house	8,777								8,777
Parks	33,138								33,138
Cemetery	716								716
Ambulance	65,759								65,759
Unassigned							(124,889)		(124,889)
Total cash basis fund balances	\$ 108,390	23,462	19,712	108,473	5,056	56,780	(124,889)	48,362	253,112

See notes to financial statements.

CITY OF ELKADER  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the Year Ended June 30, 2012

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 396,616	464,998	861,614
Operating disbursements:			
Business type activities	198,229	211,942	410,171
Excess of operating revenues over operating disbursements	198,387	253,056	451,443
Non-operating receipts (disbursements):			
Intergovernmental	-	549,000	549,000
Interest on investments	-	1,506	1,506
Revenue note proceeds	-	457,285	457,285
Debt service	(158,330)	(309,049)	(467,379)
Capital projects	-	(868,540)	(868,540)
Net non-operating receipts (disbursements)	(158,330)	(169,798)	(328,128)
Excess of receipts over disbursements	40,057	83,258	123,315
Operating transfers:			
In	-	4,583	4,583
Out	(52,878)	(7,878)	(60,756)
Net operating transfers in (out)	(52,878)	(3,295)	(56,173)
Net change in cash balances	(12,821)	79,963	67,142
Cash balances beginning of year	15,756	185,353	201,109
Cash balances end of year	\$ 2,935	265,316	268,251
Cash Basis Fund Balances:			
Unrestricted	\$ 2,935	265,316	268,251

See notes to financial statements.

CITY OF ELKADER  
NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**(1) Summary of Significant Accounting Policies**

The City of Elkader is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1891 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Elkader has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has one component unit which meets the Governmental Accounting Standards Board criteria.

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component unit that is discretely presented in the City's report is presented below:

<u>Component Unit</u>	<u>Brief Description/ Inclusion Criteria</u>
Elkader Public Library Foundation	Created March, 2010 to help promote, develop and finance the Elkader Public Library. The governing board consists of seven members, including the City Administrator, the Library Director and the President of the Library Board of Directors.

### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Clayton County Assessor's Conference Board, Clayton County Emergency Management Commission, Clayton County Joint E911 Service Board and Clayton County Economic Development Board.

### B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. Activity between the primary government (the City) and the discretely presented component unit (the Elkader Public Library Foundation) are reported as if they are external transactions and are classified separately from internal activities within the primary government.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

*Nonexpendable restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the City.

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement cost not paid from other funds.

The Special Revenue, Employee Benefits Fund is used to account for property tax receipts to be used for the City's share of FICA, IPERS, and other employee benefits.

The Special Revenue, Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Special Revenue, Local Option Sales Tax Fund is used to account for local option sales tax collections and to assure that they are disbursed in accordance with voter wishes.

The Special Revenue, Hazard Mitigation Grants Fund is used to account for the proceeds from grants and loans that fund the flood hazard mitigation (taxpayer buyout) program.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of principal and interest on the City's long-term debt.

The Capital Projects Fund is used to account for contributions and specific receipts and transfers from other City funds and disbursements for the Emergency Services Building project.

The Permanent, Cemetery Perpetual Care Fund is used to account for County funds and lot sales and cemetery improvements.

The City reports the following major proprietary funds:



The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

*Nonspendable* - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

*Restricted* - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or

enabling legislation.

*Committed* - Amounts which can be used for specific purposes pursuant to constraints formally imposed by the Council through ordinance or resolution approved prior to year end.

*Unassigned* - All amounts not included in other spendable classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public works, culture and recreation, community and economic development, general government, debt service and business type activities functions.

#### (2) **Cash**

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

#### (3) **Bond and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and revenue notes are as follows:

Year Ending June 30.	General Obligation		Revenue Notes		Total	
	Bonds, Loans and Notes Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 276,981	41,936	259,000	163,620	535,981	205,556
2014	284,470	36,794	267,000	155,850	551,470	192,644
2015	274,337	31,393	275,000	147,840	549,337	179,233
2016	279,336	27,753	284,000	139,590	563,336	167,343
2017	279,337	23,608	293,000	131,070	572,337	154,678
2018-22	874,337	55,025	1,609,000	517,860	2,483,337	572,885
2023-27	-	-	1,614,000	264,900	1,614,000	264,900
2028-30	-	-	853,000	51,750	853,000	51,750
Total	\$ 2,268,798	216,509	5,454,000	1,572,480	7,722,798	1,788,989

#### Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the \$ 1,374,000 of water revenue notes issued on March 8, 2005 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes are payable solely from water customer net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 128,770 and \$ 198,387, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$ 926,000 of sewer revenue notes issued on November 2, 2006 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes are payable solely from sewer customer net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 77,220 and \$ 253,056, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$ 3,154,000 of sewer revenue notes, issued on December 3, 2008 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding balance. The notes are payable from sewer customer net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 221,942 and \$ 253,056, respectively.

The resolution providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.

- (b) The rents, rates and other charges shall be at least sufficient to meet the operation and maintenance expenses of the enterprise activity and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue notes.

#### **(4) Debt Defeasance**

On February 1, 2012, the City issued \$ 415,000 in General Obligation Refunding Bonds with interest ranging from 1.00% to 2.25%. The bonds were used for the purpose of refunding the City's General Obligation Sewer Construction Bonds with interest ranging for 4.30% to 4.95% dated August 1, 2006.

The advance refunding met the requirements of a debt defeasance. The City in effect reduced the aggregate debt service payments by approximately \$ 135,000 over the next ten years and obtained economic gain (difference between the present values of the old and new debt service payments) of approximately \$ 40,200.

#### **(5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS; PO Box 9117; Des Moines, Iowa 50306-9117

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$ 33,224, \$ 27,334, and \$ 26,285, respectively, equal to the required contributions for each year.

#### **(6) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 6 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 530 for single coverage and \$ 1,052 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2012, the City contributed \$ 66,346 to the plan.

## **(7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, sick leave and personal hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and personal hour payments payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 17,000
Sick leave	15,000
Personal days and comp time	<u>2,000</u>
Total	<u>\$ 34,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

## **(8) Anticipation Loans**

Anticipation loans are loans made to the City by a local bank and the Iowa Finance Authority pending finalization of long-term financing.

The City borrowed \$ 947,785 at 3.25% interest per annum, from a local bank for its flood hazard mitigation program. As of June 30, 2012, the entire balance had been repaid, including interest for the current fiscal year of \$ 1,644.

The City borrowed \$ 172,999 interest free from the Iowa Finance Authority for a lift station project and a water system survey. At June 30, 2012, the entire balance of \$ 172,999 was still outstanding.

The City borrowed \$ 288,788 at 3.25% interest per annum from a local bank for construction of a new emergency services building. As of June 30, 2012, the entire balance had been repaid, including interest for the current fiscal year of \$ 3,819.

The City borrowed \$ 91,221 at 3.25% interest per annum from a local bank for the purchase of a fire truck. As of June 30, 2012, the entire balance had been repaid, including interest for the current fiscal year of \$ 922.

The City borrowed \$ 350,000 for street construction, lighting and storm water. As of June 30, 2012, the entire balance had been repaid, including interest for the current fiscal year of \$ 5,838.

#### (9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$ <u>3,430</u>
Special Revenue: Employee Benefits	Enterprise: Water	7,878
	Sewer	<u>7,878</u>
		<u>15,756</u>
Debt Service	Special Revenue: Urban Renewal Tax Increment	<u>181,830</u>
Permanent: Cemetery Perpetual Care	General	<u>1,946</u>
Capital Projects	Special Revenue: Local Option Sales Tax	37,914
	Enterprise: Water	<u>45,000</u>
		<u>82,914</u>
Special Revenue: Road Use tax	General	<u>27,450</u>
Enterprise: Sewer	General	<u>4,583</u>
Total		<u>\$ 317,909</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

#### **(10) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage during the past three fiscal year.

#### **(11) Deficit Balance**

The Capital Projects Fund had a deficit balance of \$ 124,889 at June 30, 2012. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of federal grants.

#### **(12) Development Agreements**

The City has entered into four development agreements to assist various urban renewal projects.

With the first agreement, the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for certain public improvements related to the development of a manufacturing facility in the City industrial park made by the developer. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years beginning July 1, 2005. The total to be paid by the City under this agreement is not to exceed \$ 500,000. During the year ended June 30, 2012, no rebates were made under this agreement. The maximum remaining balance at June 30, 2012 was \$ 117,968

With the second agreement, the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for construction of duplex apartments by the developer on land located in the City. The incremental tax received by the City from the developer will be rebated for a period of three years beginning December 1, 2012 and continuing through and including June 1, 2015.

With the third agreement, the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for the construction of an industrial facility by the developer within the Elkader Urban Renewal Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of ten years beginning December 1, 2010, and continuing through and including June 1, 2020, or until such earlier date upon which payments equal to

\$ 750,000 have been made. The payments shall not constitute a general obligation of the City and shall be subject to annual appropriation of the City Council.

With the fourth agreement, the City has agreed to rebate the incremental tax paid by the developer in exchange for the construction of an assisted living facility by the developer within the Elkader Urban Renewal Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa until such date upon which payments equal to \$ 300,000 have been made. The payments shall not constitute a general obligation of the City and shall be subject to annual appropriation of the City Council.

### **(13) Commitments and Contingencies**

Construction Contracts - The City has entered into a construction contract totaling \$ 970,931 for various street and storm sewer improvements. As of June 30, 2012, \$ 114,448 had been disbursed under this contract. The balance of \$ 856,483 remaining at June 30, 2012 will be paid as work on the projects continues.

Guaranty Agreement - The City is a co-guarantor with several Elkader businesses on a term loan from the United States Department of Agriculture, Rural Development to a nonprofit organization that provides day care services to the community. The loan is secured by a first mortgage on the real estate owned by the nonprofit organization. This guaranty would require the City to make the required loan payments. As of December 31, 2011, the guaranteed loan balance was approximately \$ 190,000 and the nonprofit organization was current with the required payments.



## OTHER INFORMATION

CITY OF ELLADER  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES-  
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
OTHER INFORMATION  
Year Ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
<b>Receipts:</b>						
Property tax	\$ 623,892	-	623,892	601,797	601,797	22,095
Tax increment financing	186,218	-	186,218	189,000	189,000	(2,782)
Other city tax	139,409	-	139,409	117,241	117,241	22,168
Licenses and permits	4,915	-	4,915	45,778	45,778	(40,863)
Use of money and property	19,946	1,506	21,452	59,450	59,450	(37,998)
Intergovernmental	1,200,531	549,000	1,749,531	1,649,550	1,649,550	99,981
Charges for service	285,636	861,614	1,147,250	1,119,340	1,119,340	27,910
Special assessments	-	-	-	500	500	(500)
Miscellaneous	224,503	-	224,503	169,949	216,769	7,734
<b>Total receipts</b>	<b>2,685,050</b>	<b>1,412,120</b>	<b>4,097,170</b>	<b>3,952,605</b>	<b>3,999,425</b>	<b>97,745</b>
<b>Disbursements:</b>						
Public safety	745,279	-	745,279	486,099	1,086,099	340,820
Public works	419,510	-	419,510	409,429	409,429	(10,081)
Health and social services	-	-	-	2,546	2,546	(2,546)
Culture and recreation	335,751	-	335,751	306,171	306,171	(29,580)
Community and economic development	759,728	-	759,728	970,671	1,180,671	420,943
General government	192,853	-	192,853	145,181	182,001	(10,852)
Debt service	290,910	-	290,910	239,592	279,592	(11,318)
Capital projects	467,004	-	467,004	1,652,600	1,652,600	1,185,596
Business type activities	-	1,746,090	1,746,090	889,975	949,975	(796,115)
<b>Total disbursements</b>	<b>3,211,035</b>	<b>1,746,090</b>	<b>4,957,125</b>	<b>5,102,264</b>	<b>6,049,084</b>	<b>1,091,959</b>
Excess (deficiency) of receipts over (under) disbursements	(525,985)	(333,970)	(859,955)	(1,149,659)	(2,049,659)	1,189,704
Other financing sources, net	538,158	401,112	939,270	1,181,000	2,081,000	(1,141,730)
Excess of receipts and other financing sources over disbursements and other financing uses	12,173	67,142	79,315	31,341	31,341	47,974
Balances beginning of year	240,939	201,109	442,048	802,382	802,382	(360,334)
Balances end of year	\$ 253,112	268,251	521,363	833,723	833,723	(312,360)

See accompanying independent auditor's report and notes to other information-  
budgetary information.

## CITY OF ELKADER

### Notes to Other Information - Budgetary Reporting

June 30, 2012

The budgetary comparison is presented as Other Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government, debt service and business type activities functions.

## SUPPLEMENTARY INFORMATION

CITY OF ELKADER  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of and for the Year Ended June 30, 2012

	Special Revenue			
	Road Use Tax	Hotel/ Motel Tax	Library Trust	Total
Receipts:				
Other city tax	\$ -	390	-	390
Use of money and property	-	-	36	36
Intergovernmental	120,745	-	-	120,745
Miscellaneous	-	-	3,762	3,762
Total receipts	120,745	390	3,798	124,933
Disbursements:				
Operating:				
Public works	138,765	-	-	138,765
Culture and recreation	-	-	4,723	4,723
Total disbursements	138,765	-	4,723	143,488
Excess (deficiency) of receipts over (under) disbursements	(18,020)	390	(925)	(18,555)
Other financing sources:				
Operating transfers in	27,450	-	-	27,450
Net change in cash balances	9,430	390	(925)	8,895
Cash balances beginning of year	(7,111)	-	5,982	(1,129)
Cash balances end of year	\$ 2,319	390	5,057	7,766
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ 2,319	-	-	2,319
Library	-	-	5,057	5,057
Other purposes	-	390	-	390
Total cash basis fund balances	\$ 2,319	390	5,057	7,766

See accompanying independent auditor's report.

## Schedule 2

CITY OF ELKADER  
SCHEDULE OF INTERESTS  
Year Ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
<b>General obligation bonds:</b>								
2004 water revenue refunding	Nov 1, 2004	3.65%	\$ 170,000	25,000	-	25,000	-	913
Sewer construction	Aug 1, 2006	4.30-4.95	620,000	490,000	-	415,000	75,000	36,781
2010 WIF corporate purpose and refunding	Nov 1, 2010	1.00-3.00	1,325,000	1,195,000	-	160,000	1,035,000	21,390
2012 A Annual Appropriation corporate purpose	Feb 1, 2012	0.75-2.10	650,000	-	650,000	-	650,000	-
2012 B Refunding	Feb 1, 2012	1.00-2.25	415,000	-	415,000	-	415,000	-
<b>Total</b>				\$ 1,710,000	1,065,000	600,000	2,175,000	59,024
<b>General obligation notes:</b>								
Equipment acquisition	Aug 11, 2009	4.75%	\$ 100,670	60,402	-	20,134	40,268	2,917
Police car acquisition	May 3, 2010	4.50	20,542	13,694	-	6,847	6,847	626
<b>Total</b>				\$ 74,096	-	26,981	47,115	3,543
<b>Loan payable:</b>								
Clayton County Secondary Roads	May 28, 2008	OE	\$ 93,366	56,019	-	9,336	46,683	-
<b>Revenue notes:</b>								
Water	Mar 8, 2005	3.00%	\$ 1,935,000	1,459,000	-	85,000	1,374,000	43,770
Sewer	Nov 2, 2006	3.00	1,150,000	974,000	-	48,000	926,000	29,220
Wastewater treatment plant	Dec 3, 2008	3.00	3,480,000	2,823,715	457,285	127,000	3,154,000	94,942
<b>Total</b>				\$ 5,256,715	457,285	260,000	5,454,000	167,932
<b>Anticipation loans:</b>								
Hazard mitigation buy out	Various	3.25%	N/A	16,914	179,568	196,482	-	1,644
Iowa Finance Authority:								
Lift station replacement	Sep 25, 2009	0	\$ 83,815	83,815	-	-	83,815	-
Water system survey	Nov 15, 2009	0	89,184	89,184	-	-	89,184	-
BMS building	Various	3.25	N/A	171,065	117,713	288,778	-	3,819
Fire truck	Oct 11, 2011	3.25	91,221	-	91,221	91,221	-	922
Street construction, lighting and storm water	Various	3.25	350,000	-	350,000	350,000	-	5,838
<b>Total</b>				\$ 360,978	738,502	926,481	172,999	12,223

See accompanying independent auditors report.

## Schedule 3

CITY OF ELKADER  
BOND AND NOTE MATURITIES  
June 30, 2012

Year Ending June 30,	General Obligation Bonds									
	2010 Corporate		2012A		2012B Refunding					
	Sewer Construction Issued Aug 1, 2006	Purpose and Refunding Issued Nov 1, 2010	Corporate Purpose Issued Feb 1, 2012	Issued Feb 1, 2012	Issued Feb 1, 2012	Total				
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total			
2013	4.35%	\$ 35,000	1.20%	\$ 165,000	0.75%	\$ 50,000	250,000			
2014	4.40	40,000	1.40	165,000	0.75	50,000	255,000			
2015	-	-	1.60	165,000	1.00	50,000	265,000			
2016	-	-	1.85	170,000	1.00	50,000	270,000			
2017	-	-	2.15	170,000	1.40	50,000	270,000			
2018	-	-	3.00	40,000	1.65	80,000	195,000			
2019	-	-	3.00	40,000	1.90	100,000	195,000			
2020	-	-	3.00	40,000	2.00	55,000	215,000			
2021	-	-	3.00	40,000	2.25	55,000	90,000			
2022	-	-	3.00	40,000	-	50,000	-			
Total		\$ 75,000		\$ 1,035,000		\$ 650,000	\$ 415,000	2,175,000		

General Obligation Notes									
Year Ending June 30,	General Obligation Loan Payable		Equipment Acquisition		Police Care Acquisition				
	Clayton County Secondary Roads		Issued Aug 11, 2009		Issued May 3, 2010				
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total		
2013	-%	\$ 9,336	4.75%	\$ 20,134	4.50%	\$ 6,847	26,981		
2014	-	9,337	-	-	-	-	-		
2015	-	9,337	-	-	-	-	-		
2016	-	9,336	-	-	-	-	-		
2017	-	9,337	-	-	-	-	-		
2018	-	9,337	-	-	-	-	-		
Total		\$ 46,683		\$ 40,268		\$ 6,847	47,115		

(continued)

Schedule 3  
(continued)

CITY OF ELKADER  
BOND AND NOTE MATURITIES  
June 30, 2012

Revenue Notes							
Year Ending June 30,	Water		Sewer		Wastewater Treatment Plant		Total
	Issued Mar 8, 2005		Issued Nov 2, 2006		Issued Dec 3, 2008		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2013	3.00%	\$ 88,000	3.00%	\$ 50,000	3.00%	\$ 121,000	259,000
2014	3.00	91,000	3.00	51,000	3.00	125,000	267,000
2015	3.00	93,000	3.00	53,000	3.00	129,000	275,000
2016	3.00	96,000	3.00	54,000	3.00	134,000	284,000
2017	3.00	99,000	3.00	56,000	3.00	138,000	293,000
2018	3.00	102,000	3.00	58,000	3.00	142,000	302,000
2019	3.00	105,000	3.00	60,000	3.00	147,000	312,000
2020	3.00	108,000	3.00	61,000	3.00	152,000	321,000
2021	3.00	112,000	3.00	63,000	3.00	157,000	332,000
2022	3.00	115,000	3.00	65,000	3.00	162,000	342,000
2023	3.00	118,000	3.00	67,000	3.00	167,000	352,000
2024	3.00	122,000	3.00	69,000	3.00	173,000	364,000
2025	3.00	125,000	3.00	71,000	3.00	178,000	374,000
2026	-	-	3.00	73,000	3.00	184,000	257,000
2027	-	-	3.00	75,000	3.00	192,000	267,000
2028	-	-	-	-	3.00	275,000	275,000
2029	-	-	-	-	3.00	284,000	284,000
2030	-	-	-	-	3.00	294,000	294,000
Total		\$ 1,374,000		\$ 926,000		\$ 3,154,000	5,454,000

See accompanying independent auditor's report.



CITY OF ELKADER  
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 For the Last Four Years

	2012	2011	2010	2009
Receipts:				
Property tax	\$ 623,892	593,456	558,183	507,116
Tax increment financing	186,218	138,179	186,417	170,619
Other city tax	139,409	145,702	134,328	142,350
Licenses and permits	4,915	4,965	5,501	6,202
Use of money and property	19,946	14,025	19,447	14,122
Intergovernmental	1,200,531	1,083,315	1,695,913	1,048,706
Charges for service	285,636	290,213	292,788	232,435
Special assessments	-	-	460	2,158
Miscellaneous	224,503	142,664	233,422	186,140
Total	<u>\$ 2,685,050</u>	<u>2,412,519</u>	<u>3,126,459</u>	<u>2,309,848</u>
Disbursements:				
Operating:				
Public safety	\$ 745,279	460,315	995,992	1,208,410
Public works	419,510	414,783	564,285	373,278
Health and social services	-	1,465	2,930	-
Culture and recreation	335,751	342,591	330,154	320,933
Community and economic development	759,728	545,956	128,497	157,276
General government	192,853	155,868	153,448	154,674
Debt service	290,910	1,154,863	228,158	182,907
Capital projects	467,004	939,185	1,110,560	87,640
Total	<u>\$ 3,211,035</u>	<u>4,015,026</u>	<u>3,514,024</u>	<u>2,485,118</u>

See accompanying independent auditor's report.

CITY OF ELKADER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
<b>Direct:</b>			
U.S. Department of Agriculture:			
Water and Waste Disposal			
Systems for Rural Communities	10.760	N/A	\$ 304,135
<b>Indirect:</b>			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development			
Block Grants/State's			
Program and Non-			
Entitlement Grants in			
Hawaii	14.228	11-HSG-016	18,459
		08-DRMH-220	46,060
		08-DRI-055	142,956
			<u>207,475</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and			
Emergency Management Division:			
Disaster Grants-Public			
Assistance (Presidentially			
Declared Disasters)	97.036	FEMA-1763-DR1A	<u>74,690</u>
Hazard Mitigation			
Grant (HMGP)	97.039	HMGP-DR-1763-020-01	<u>136,649</u>
<b>Total</b>			<u><u>\$ 722,949</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Elkader and is presented in conformity with an other basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

**STEVEN S. CLAUSEN, CPA**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Elkader, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated February 8, 2013. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the City of Elkader is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Elkader's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Elkader's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Elkader's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Elkader's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Elkader's responses to findings in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Elkader's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Elkader and other parties to whom the City of Elkader may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Elkader during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

February 8, 2013

A handwritten signature in cursive script that reads "Dietz, Donald & Company".

Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Elkader, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Elkader's major federal program for the year ended June 30, 2013. The City of Elkader's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Elkader's management. Our responsibility is to express an opinion on the City of Elkader's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Elkader's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Elkader's compliance with those requirements.

In our opinion, the City of Elkader complied, in all material respects with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

## Internal Control Over Compliance

Management of the City of Elkader is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Elkader's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City of Elkader's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Elkader's internal control over compliance,

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Elkader and other parties to whom the City of Elkader may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Elkader, Iowa

February 8, 2013



Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

CITY OF ELKADER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (1) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (2) No significant deficiencies in internal control were disclosed by the audit of the financial statements.
- (3) The audit did not disclose any noncompliance which is material to the financial statements.
- (4) No significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements.
- (5) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (6) The audit disclosed no findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (7) The major program was CFDA Number 10.760 - Water and Waste Disposal Systems for Rural Communities.
- (8) The dollar threshold used to distinguish between Type A and Type B programs was \$ 300,000.
- (9) The City of Elkader qualified as a low-risk auditee.



CITY OF ELKADER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements:

MATERIAL WEAKNESSES IN INTERNAL CONTROL:

No material weaknesses were identified.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

No material weaknesses were identified.

CITY OF ELKADER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 **Certified Budget** - Disbursements during the year ended June 30, 2012, exceeded the amounts budgeted in the public works, culture and recreation, general government, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

**Recommendation** - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

**Response** - The budget will be amended in the future, if applicable.

**Conclusion** - Response accepted.

IV-B-12 **Questionable Disbursements** - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-12 **Travel Expenses** - No disbursements of City money for travel expenses of spouses of City officials were noted.

IV-D-12 **Business Transactions** - No business transactions between the City and City officials or employees were noted.

IV-E-12 **Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-12 **Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-12 **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

CITY OF ELKADER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012

- IV-H-12 **Revenue Notes** - Debt service requirements for the sewer revenue notes in fiscal 2012 were \$ 299,162, while the Enterprise, Sewer Fund net operating receipts were only \$ 253,056. It appears the debt service requirements exceeding net operating receipts in the sewer enterprise activity would violate the revenue note covenants.

**Recommendation** - The City should investigate ways to increase net operating receipts in the Sewer enterprise activities.

**Response** - The City has increased sewer rates.

**Conclusion** - Response accepted.

- IV-I-12 **Financial Condition** - The Capital Projects Fund had a deficit balance of \$ 124,889 at June 30, 2012.

**Recommendation** - The City should investigate alternatives to eliminate this deficit in order to return this fund to sound financial position.

**Response** - The deficit was due to construction costs incurred prior to receipt of federal grant monies. The deficit was subsequently eliminated.

**Conclusion** - Response accepted.

- IV-J-12 **Library and Cemetery** - The City accounts for the transactions of the Library and Cemetery in the City's General Fund. However, the Library and Cemetery have separate savings accounts and time certificates of deposit that have not been accounted for or reported by the City in the City's financial statements and reports. We have, however, included these accounts in these financial statements.

Chapter 384.20 of the Code of Iowa states in part "a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any City purpose, by a City officer, employee or other person, and which show the receipt, use, and disposition of all City property."

CITY OF ELKADER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012

**Recommendation** - The City's Library and Cemetery should determine the status of the separate accounts for accountability and reporting purposes. If the Library and Cemetery wish to maintain custody and control over the separate accounts, they should be established as legally separate entities from the City, with Articles of Incorporation and by-laws. Otherwise the City should include these accounts in its records, in accordance with Chapter 384.20 of the Code of Iowa. Legal counsel should be consulted for assistance as necessary, to resolve the issue.

**Response** - We will include the Library Trust and Cemetery transactions in our Annual Financial Report in the future.

**Conclusion** - Response accepted.